

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6584

BILL NUMBER: HB 1422

NOTE PREPARED: Dec 10, 2002

BILL AMENDED:

SUBJECT: Farm equipment property tax credit.

FIRST AUTHOR: Rep. Murphy

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill provides a state tax credit equal to the property tax paid on agricultural personal property.

Effective Date: July 1, 2003.

Explanation of State Expenditures:

Explanation of State Revenues: Under this provision, a taxpayer would be eligible for a state tax credit equal to the amount of the property tax paid on agricultural depreciable property. The credit would take effect with 2004 property tax payments and 2004 state tax liabilities.

The total net property tax paid in 2002 on agricultural depreciable property is estimated at about \$23.4 M. As a result of the passage of HEA 1001-2002(ss), personal property assessed values will remain unchanged, the tax rate will be reduced, and the state will no longer pay property tax replacement credits (PTRC) on business personal property. Taking all of these changes into consideration, the gross property tax due on agricultural depreciable property is estimated at about \$20.4 M in CY 2004 and \$20.8 M in CY 2005.

The credit may be taken against a taxpayer's Adjusted Gross Income Tax, Insurance Premium Tax, or Financial Institutions Tax liability. If the amount of the credit exceeds the taxpayer's liability, the excess credit may be carried forward to subsequent years. A taxpayer is not entitled to a carryback or a refund of any unused credit. If a pass through entity does not have income tax liability, the credit may be taken by shareholders or partners in proportion to their distributive income from the pass through entity.

The state revenue reduction as a result of this credit is estimated at \$20.4 M in FY 2005 and \$20.8 M in FY 2006. Revenue from the taxes listed above is deposited in both the General Fund and the Property Tax Replacement Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues: This proposal would not affect local revenues.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: County and township assessors.

Information Sources: Local Government Database; 2002 Property Tax Analysis, Department of Local Government Finance.

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